

Mr. Alan Hughes, Administrator  
Abbeville Nursing Home, Inc.  
Post Office Box 190  
Abbeville, South Carolina 29620

Re: AC# 3-ABV-J5 – Abbeville Nursing Home, Inc.

Dear Mr. Hughes:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1994 through September 30, 1995. That report was used to set the rate covering the contract periods beginning October 1, 1996.

We are recommending that the Department of Health and Human Services certify an accounts payable for amounts underpaid as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

By request of the state medicaid agency this letter also serves as an official notice of your requirement to respond with a report of planned corrective actions on the recommendations and deficiencies noted in this report within forty-five (45) days of the date of this letter. Your response should reference the audit control number and be addressed to: Division of Home Health and Nursing Facility Services, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina, 29202-8206. You are also required to simultaneously furnish a copy of your corrective action report to the State Auditor's Office.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Edgar A. Vaughn, Jr., CPA  
State Auditor

EAV/jr/cwc

cc: Ms. Brenda L. Hyleman  
Mr. Jeff Saxon  
Mr. Mac Carroll

**ABBEVILLE NURSING HOME, INC.**

**ABBEVILLE, SOUTH CAROLINA**

**CONTRACT PERIODS  
BEGINNING OCTOBER 1, 1996  
AC# 3-ABV-J5**

**REPORT ON CONTRACT  
FOR  
PURCHASE OF NURSING CARE SERVICES  
WITH  
STATE OF SOUTH CAROLINA  
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

August 14, 1997

Department of Health and Human Services  
State of South Carolina  
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Abbeville Nursing Home, Inc., for the contract periods beginning October 1, 1996 and for the twelve month cost report period ended September 30, 1995, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Abbeville Nursing Home, Inc., to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days and Cost of Capital Reimbursement Analysis and the Comments and Recommendations sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Abbeville Nursing Home, Inc., dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services  
State of South Carolina  
August 14, 1997

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the South Carolina Department of Health and Human Services and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

Edgar A. Vaughn, Jr., CPA  
State Auditor

**ABBEVILLE NURSING HOME, INC.**  
Computation of Rate Change  
For the Contract Periods  
Beginning October 1, 1996  
AC# 3-ABV-J5

	10/01/96- <u>09/30/97</u>
Adjusted reimbursement rate	\$84.38
Interim reimbursement rate (1)	<u>83.28</u>
Increase in reimbursement rate	\$ <u><u>1.10</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated May 15, 1997

**ABBEVILLE NURSING HOME, INC.**

Computation of Adjusted Reimbursement Rate

For the Contract Periods October 1, 1996 Through September 30, 1997

AC# 3-ABV-J5

	<u>Profit Incentive</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services	\$ -	\$43.81	\$42.83	\$42.83
Dietary	<u>.27</u>	<u>9.19</u>	<u>9.46</u>	<u>9.19</u>
Subtotal	\$ <u>.27</u>	53.00	52.29	52.02
Laundry/Housekeeping/Maint.	\$ -	8.20	7.32	7.32
Administration & Med. Rec.	<u>2.27</u>	<u>6.33</u>	<u>8.60</u>	<u>6.33</u>
Subtotal	\$ <u>2.27</u>	67.53	\$ <u>68.21</u>	65.67
<u>Costs Not Subject to Standards:</u>				
Utilities		2.36		2.36
Special Services		-		-
Medical Supplies & Oxy.		2.44		2.44
Taxes and Insurance		1.38		1.38
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		\$ <u>73.71</u>		71.85
Inflation Factor (4.90%)				3.52
Cost of Capital				7.01
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				2.27
Cost Incentive - For Gen. Serv. & Dietary				.27
Effect of \$1.75 Cap on Cost/Profit Incentives and Cost Sharing				(.79)
Minimum Wage Add On				<u>.25</u>
 ADJUSTED REIMBURSEMENT RATE				 \$ <u>84.38</u>

**ABBEVILLE NURSING HOME, INC.**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 1995  
AC# 3-ABV-J5

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	<u>Adjusted Totals</u>
General Services	\$1,483,505	\$ -	\$ -	\$1,483,505
Dietary	311,350	-	-	311,350
Laundry	101,430	-	25,123 (6)	76,307
Housekeeping	132,729	261 (6)	-	132,990
Maintenance	67,214	1,237 (6)	-	68,451
Administration & Medical Records	202,370	6,855 (3) 11,678 (4)	6,530 (6)	214,373
Utilities	85,044	-	5,009 (6)	80,035
Special Services	-	-	-	-
Medical Supplies & Oxygen	53,575	29,007 (5)	-	82,582
Taxes & Insurance	45,747	956 (6)	-	46,703
Legal Fees	-	-	-	-
Cost of Capital	238,632	1,245 (8)	1,182 (6) <u>1,210 (7)</u>	237,485
Subtotal	2,721,596	51,239	39,054	2,733,781



**ABBEVILLE NURSING HOME, INC.**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 1995  
AC# 3-ABV-J5

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
Ancillary	45,493	-	-	45,493
Non-Allowable	25,728	35,390 (6)	6,855 (3) 11,678 (4) 29,007 (5) <u>1,245 (8)</u>	12,333
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Operating Expenses	<u>\$2,792,817</u>	<u>\$86,629</u>	<u>\$87,839</u>	<u>\$2,791,607</u>
TOTAL BEDS	<u>94</u>	TOTAL PATIENT DAYS		
			<u>33,863</u>	

**ABBEVILLE NURSING HOME, INC.**  
Adjustment Report  
Cost Report Period Ended September 30, 1995  
AC# 3-ABV-J5

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Movable Equipment	\$ 3,156	
	Accumulated Depreciation -		
	Land Improvements	48	
	Equity	13,438	
	Accumulated Depreciation -		
	Movable Equipment		\$ 1,796
	Land		14,846
	To carry forward 9/30/90 balances and State Auditor's Office adjustments HIM-15-1, Section 2304		
2	Movable Equipment	6,551	
	Accumulated Depreciation -		
	Movable Equipment		6,551
	To properly record assets retired from active service but still at the facility HIM-15-1, Section 130		
3	Administration	6,855	
	Nonallowable		6,855
	To allow working capital interest HIM-15-1, Section 202.2		
4	Administration	11,678	
	Nonallowable		11,678
	To adjust administration salaries and payroll taxes to allowable State Plan, Attachment 4.19D		
5	Medical Supplies & Oxygen	29,007	
	Nonallowable		29,007
	To properly state medical supplies and oxygen State Plan, Attachment 4.19D		

**ABBEVILLE NURSING HOME, INC.**  
Adjustment Report  
Cost Report Period Ended September 30, 1995  
AC# 3-ABV-J5

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Housekeeping	261	
	Maintenance	1,237	
	Taxes, Insurance, & Licenses	956	
	Nonallowable	35,390	
	Laundry		25,123
	Administration		6,530
	Utilities		5,009
	Cost of Capital		1,182
	To properly state related party laundry cost HIM-15-1, Section 1005		
7	Accumulated Depreciation -		
	Movable Equipment	1,816	
	Equity		606
	Depreciation Expense -		
	Movable Equipment		1,210
	To adjust useful life on fire alarm sprinkler to AHA guidelines AHA Guidelines		
8	Cost of Capital	1,245	
	Nonallowable		1,245
	To adjust cost of capital to allowable State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<u>\$111,638</u>	<u>\$111,638</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

**ABBEVILLE NURSING HOME, INC.**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 1995  
AC# 3-ABV-J5

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.0472</u>
Deemed Asset Value (Per Bed)	31,973
Number of Beds	<u>94</u>
Deemed Asset Value	3,005,462
Improvements Since 1981	239,053
Accumulated Depreciation at 9/30/95	<u>(666,061)</u>
Deemed Depreciated Value	2,578,454
Market Rate of Return	<u>0.070</u>
Total Annual Return	180,492
Return Applicable to Non-Reimbursable Cost Centers	(1,214)
Allocation of Rent and Interest to Non-Reimbursable Cost Centers	<u>571</u>
Allowable Annual Return	179,849
Depreciation Expense	57,736
Amortization Expense	900
Capital Related Income Offsets	-
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(1,000)</u>
Allowable Cost of Capital Expense	237,485
Total Patient Days (Minimum 97% Occupancy)	<u>33,863</u>
Cost of Capital Per Diem	\$ <u><u>7.01</u></u>

**ABBEVILLE NURSING HOME, INC.**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 1995  
AC# 3-ABV-J5

6/30/89 Cost of Capital and Return on Equity	
Capital Per Diem Reimbursement	\$5.33
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$9.32</u>
Reimbursable Cost of Capital Per Diem	\$7.01
Cost of Capital Per Diem	<u>7.01</u>
Cost of Capital Per Diem Limitation	\$ <u>-</u>

## **COMMENTS AND RECOMMENDATIONS**

Our agreed-upon procedures identified a certain condition that we have determined to be subject to correction or improvement. We believe this condition should be brought to your attention.

### **Payroll Allocation Time Studies**

The provider allocated the salaries of multi-cost center employees based on arbitrary statistics.

HIM-15-1, Section 2304 states in part:

“Cost information as developed by the provider must be current, accurate, and in sufficient detail to support payments made for services rendered to beneficiaries. This includes... bases for apportioning costs... which pertain to the determination of reasonable cost, capable of being audited.”

We recommend the provider perform routine time studies in order to properly classify salaries in the appropriate cost center.